

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

15-0356.1

HB 576-FN-A, *repealing the provision allowing operators to retain 3 percent of meals and rooms taxes collected and continually appropriating 3 percent of meals and rooms tax revenues to school building aid.*

House Ways & Means Committee

This bill repeals the 3% commission allowed to Meals and Rooms (M&R) operators under RSA 78-A:7, III and continually appropriates 3% of the M&R Tax revenues to School Building Aid (SBA). The Department of Revenue Administration estimates the State would gain \$8,133,466 in M&R Tax revenue, but would then spend \$8,937,875 more on reducing SBA, creating a reduction in General Fund revenues of \$804,409 in FY 2016. The Department's estimate was based upon the following analysis:

For FY 2014, the Plan estimates M&R Tax revenues of \$251,200,000 and for FY 2015, the Plan estimates M&R Tax revenues of \$265,200,000. This is a projected growth of 5.57%. The actual tax revenue for FY 2014, based upon cash basis reporting, was \$282,210,063 before \$7,697,197 was taken in commissions and before \$14,000,559.79 was taken to pay for SBA Debt Service. M&R Tax commissions taken equaled 2.73% of the tax revenue.

For purposes of estimating the fiscal impact of this bill, the FY 2014 tax revenue (\$282,210,063) was grown by 5.57% to arrive at a possible FY 2015 tax revenue of \$297,929,164.

The Department of Revenue Administration assumed that the commissions taken in FY 2014 will be the same as what will be taken in FY 2015. FY 2014 commissions equaled 2.73% of the tax revenue and applying that same percentage to the possible tax revenue for FY 2015 would yield commissions that would be taken in the amount of \$8,133,466.

The Department assumed for the fiscal analysis of this bill that FY 2015 assumptions and circumstances will be the same in FY 2016 as they were in FY 2015. Thus, the amount of commissions taken in FY 2015 will equal the tax revenue savings in FY 2016 should this bill become law.

The Department further assumed that all M&R operators will continue to report all of their taxable meals and rooms revenues and that they will not under-report to make up for their loss of the commissions.

The amount of M&R Tax revenue that will be gained by repealing the 3% commission will not equal the 3% distribution to pay for additional SBA. There will be a decrease in the General Fund to cover the difference.

FY 2014 Plan \$251,200,000

FY 2015 Plan \$265,200,000 (difference is \$14,000,000, which is a growth of 5.57%)

FY 2014 Tax revenue was \$282,210,063

FY 2015 Possible tax revenue, \$297,929,164, (FY 2014 tax revenue grown by 5.57%)

FY 2014 Commissions taken equal \$7,697,197 or 2.73% of the tax revenue

FY 2015 Possible commissions to be taken, \$8,133,466, (FY 2015 possible tax revenue multiplied by 2.73%)

IF the commissions that might be taken in FY 2015 approximate those that might no longer be allowed in FY 2016, then one could expect an increase in M&R revenue by approximately \$8,133,466. However, this bill would then have 3% distributed by Treasury to the Department of Education to pay for additional SBA. 3% of \$297,929,164 would be \$8,937,875. Thus, the State would gain \$8,133,466 in M&R Tax revenue, but would then spend \$8,937,875 more on reducing SBA, creating a reduction in General Fund revenues of \$804,409.

Estimates have not been projected for any tax period beyond FY 2016 as the Department does not know how much growth to anticipate at this time. However, similar increases in tax revenues could be seen in subsequent fiscal years as well.

The Department notes that SBA payments are already addressed in RSA 78-A:26, I (a) and now in proposed new paragraph IV. In FY2014, SBA payments from the M&R tax revenues equaled \$14,000,559.79. On Lines 19 and 20 of the bill, the phrase “. . .with the exception of revenues collected pursuant to RSA 78-A:6, II-a . . .” should be removed as this aspect of the distribution plan is already covered in sections I and III of RSA 78-A:26.